

Kentucky Transportation Cabinet
Goal Setting Methodology
Federal Fiscal Year (FY) 2011

(A). Overall Goal for DBE Participation

As outlined in 49 CFR Part 26, Section 26.45(b) of the Disadvantaged Business Enterprise (DBE) regulations, the Kentucky Transportation Cabinet (Cabinet) has based its goal on demonstrable evidence of the availability of ready, willing and able DBE's relative to all businesses ready, willing and able to participate on DOT-assisted contracts. The Cabinet expects to meet the 7.76 percent overall goal in obtaining 2.00 percent from race neutral means and 5.76 percent participation through race conscious means.

(B). Step One:

**Base Figure for the Relative Availability of
Disadvantaged Business Enterprises (DBE)**

49 CFR Part 26, Section (c) states that Step 1 must begin by determining a base figure for relative availability, and that any percentage figure derived is considered a basis to begin examining all evidence available within the jurisdiction. The Cabinet has defined its contracting market as being *statewide* encompassing its (120) counties. Currently there are (1440) establishments across the state conducting business in the NAICS codes in which the cabinet seeks participation. All such firms must be determined to be financially qualified and have professional experience to do business with the state before submitting bids on any project issued by the Cabinet in accordance with KRS Section 176.140 and its regulations.

Of those establishments a total of (918) have demonstrated that they are ready willing and able to perform by meeting the states requirements outlined in KRS Section 176.140 for prequalification. Included in that number, (84) DBE's have demonstrated that they too are ready, willing and able to participate by meeting the states requirements outlined in KRS Section 176.140 for prequalification.

Considering the list of ready willing and able companies, the formula becomes:

$$\frac{\text{DBE Contractors}}{\text{Non-DBE Contractors}} = \text{Base figure}$$

The resulting calculation is as follows:

$$\frac{84}{918} = 9.2 \% \quad \text{Base Figure}$$

Step Two: Adjustment to Base Figure

As outlined in 49 CFR Part 26, Section 26.45,(d) once the baseline figure is calculated, it is necessary to examine the available evidence in the local market to determine what adjustment, if any, is needed. One type of evidence that must be is the current capacity of DBE's to perform work in the contracting program, as measured by the volume of work DBE's have performed in recent years. This is done to ensure that the goal accurately reflects the level of participation the Cabinet would expect from certified DBEs if discrimination were not a factor.

In recent years, as charted below, the volume of work for the Cabinet has fluctuated, which does affect the volume of work that DBE's have performed. Therefore for a more accurate reflection of past participation, we used the median which would adjust all abnormally high or abnormally low past participation figures.

Fiscal Year	2007	2008	2009
Total Awards	821,451,867	221,643,111	473,837,934
DBE Awards	37,727,551	12,894,859	43,840,498
DBE % of TotalAwards	4.59	5.79	8.61

$$\text{Median \%} = (4.59\% + 5.79\% + 8.61\%) / 3 = 6.33\%$$

$$\text{Adjusted Base Figure\%} = (6.33\% + 9.2\%) / 2 = 7.76\%$$

In addition, this is an appropriate calculation in that effective March 5, 2010 the US Department of Transportation DBE program rules were amended to change how often recipients are required to make submissions documenting the methodology and process used to establish the annual overall goal to be implemented each federal fiscal year. Under the new rules, DBE goal submissions will be made at three (3) year intervals. Therefore we have used the previous three years participation as reported in submitted 1405 reports.

Other types of evidence that must be considered are evidence of disparity study and if the base figure of another recipient was used. The Cabinet has no evidence from disparity studies conducted anywhere within this jurisdiction nor has the used another recipient's base figure.

The Cabinet has considered evidence from related fields that affect the opportunities for DBE's to form, grow, and compete. Such evidence included statistical disparities in the ability of DBE's to get financing, bonding, and insurance required to participate in the Cabinets program and data on employment, self-employment, education, training, and union apprenticeship programs. After consideration, the Cabinet found that this evidence did not cause for further adjustment to the overall goal.

We looked at the ready, willing and able DBE's ability to perform based on past performance. This represents all awards to DBE's in the past three fiscal years. Combining the DBE and Contractor data from above with the chart average, we reached the adjustment for step two.

Overview

The Kentucky Transportation Cabinet (Cabinet) has established an overall disadvantaged business enterprise (DBE) goal for fiscal year 2011 (October 1, 2010 – September 30, 2011) as 7.76 percent. The Cabinet expects to meet the 7.76 percent overall goal in obtaining 2.00 percent from race/gender-neutral means and 5.76 percent participation through race/gender-conscious means on contract goals that will be established on U.S.D.O.T.-assisted contracts. The goal was calculated using the steps outlined above. This goal and the methodology are consistent with the requirements of 49 CFR 26.45.